

LAW OFFICES

BALLARD SPAHR ANDREWS & INGERSOLL, LLP

1735 MARKET STREET, 51ST FLOOR
PHILADELPHIA, PENNSYLVANIA 19103-7599
215-665-8500
FAX: 215-864-8999
WWW.BALLARDSPAHR.COM

BALTIMORE, MD
BETHESDA, MD
DENVER, CO
LAS VEGAS, NV
LOS ANGELES, CA
PHOENIX, AZ
SALT LAKE CITY, UT
VOORHEES, NJ
WASHINGTON, DC
WILMINGTON, DE

MARC J. WEINSTEIN
DIRECT DIAL: 215-864-8147
PERSONAL FAX: 215-864-9938
WEINSTEINM@BALLARDSPAHR.COM

February 18, 2008

VIA ECF

Honorable James Larson, Chief Magistrate Judge
United States District Court
Northern District of California
450 Golden Gate Avenue
San Francisco, CA 94102

Re: Mutual Holdings (Bermuda) Limited v. Sinclair-Dwyer & Company, Inc.
Case No. 3:07-CV-4505 JL
Case Status Report for February 20, 2008 CMC

Dear Chief Judge Larson:

I write on behalf of Mutual Holdings (Bermuda) Limited in this matter to advise the Court that there has been no change in the posture of the case since the last Case Management Conference on January 9, 2008. Counsel for Defendant Sinclair-Dwyer recently represented to undersigned counsel that Sinclair-Dwyer will be filing for Chapter 11 Bankruptcy protection within a week or so. (See Letter of Michael St. James attached hereto as Exhibit A). Accordingly, Mutual Holdings does not, at this time, wish to expend additional resources engaging in discovery in this matter in anticipation of the entry of the Bankruptcy Court's automatic stay. The parties will advise the Court as soon as the Bankruptcy Petition is filed. If, for some reason, Sinclair-Dwyer fails to file the Bankruptcy Petition within the next thirty (30) days, counsel for both parties will conduct a supplemental Rule 26(f) conference and will begin engaging in discovery. Thank you.

Very truly yours,



Marc J. Weinstein

cc: Mark Kenney, Esq.
Maureen Rodgers, Esq.

EXHIBIT A

ST. JAMES LAW, P.C.
155 Montgomery Street, Suite 1004
San Francisco, CA 94104
michael@stjames-law.com
(415) 391-7566 voice
(415) 391-7568 fax

February 9, 2008

Douglas Christian, Esq.
Marc Weinstein, Esq.
BALLARD, SPAHR, ANDREWS & INGERSOLL, LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103

RE: Mutual Holdings v. Sinclair-Dwyer

Gentlemen:

We are insolvency counsel for Sinclair-Dwyer. As you have been previously advised, Sinclair-Dwyer contemplates filing a Chapter 11 case promptly with the objective of selling its business as a going concern so as to generate funds for payment to creditors.

We had previously prepared the filing documents, but advised Sinclair-Dwyer that it should defer commencing its Chapter 11 case until it had a signed purchase agreement in hand, in a form that the Court would likely be willing to accept, subject to overbids.

There were unanticipated delays associated with negotiating and documenting a purchase agreement, but yesterday agreement on the form of the document was reached. I am advised that it will be fully executed shortly, after which we will be in position to commence the case.

The value of the business would be adversely affected by any disruption in the employee pool, so we presently contemplate filing shortly after Sinclair-Dwyer distributes payroll on February 15, 2008.

If you have questions or concerns about this matter, please do not hesitate to call.

Very truly yours,


Michael St. James

Cc: Mark Kenney, Esq.